

REPORT OF THE COMMISSION STAFF
SOUTH CAROLINA PUBLIC SERVICE COMMISSION

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S. C. PUBLIC SERVICE COMMISSION
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UTILITIES DEPARTMENT

DOCKET NO. 95-168-W/S
KIAWAH ISLAND UTILITY, INC.

REPORT OF THE ACCOUNTING DEPARTMENT
SOUTH CAROLINA PUBLIC SERVICE COMMISSION

DOCKET NO. 96-168-W/S
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SOUTH CAROLINA PUBLIC SERVICE COMMISSION
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SYNOPSIS

Amount Requested:

Water-----	\$358,943
Sewer-----	\$128,037
Miscellaneous-----	\$ 744
Total	<u>\$487,724</u>

Operating Margins:

Per Books-----	0.07%
After Pro Forma and Accounting Adjustments--	(2.48%)
After Proposed Increase-----	8.57%

REPORT OF ACCOUNTING DEPARTMENT
SOUTH CAROLINA PUBLIC SERVICE COMMISSION

DOCKET NO. 96-168-W/S

KIAWAH ISLAND UTILITY, INC.

ANALYSIS

The Accounting Department Staff has made a review of the application and certain of the records of Kiawah Island Utility (hereinafter, the Company, Kiawah or the Utility) relative to its request for authority to adjust its rates and charges under the jurisdiction of this Commission.

We submit our findings as follows:

1. The Utility serves the Town of Kiawah Island located on John's Island, S. C. At the end of the test period, the Utility was serving 2,696 water customers and 2,386 sewer customers.

2. The Utility has filed proposed rates that will produce additional revenues for water operations of \$358,943 and \$128,037 for sewer. Miscellaneous Revenues, such as late fees, will increase \$744. (See Report of Utilities Department, Exhibit B.) The total increase of \$487,724 equates to an overall increase of 18.35%.

3. The present rates were approved in Order No. 92-1030 dated December 15, 1992.

4. The company has an operating margin, per books, of 0.07% After adjustments, the margin is (2.48%).

Operating margin increases to 8.57% after the proposed increase of \$487,724.

5. The test year proposed by both the Company and the Staff is the twelve months ending December 31, 1995.

6. The following is a summary of the Dockets relative to the Company's most recent rate adjustments:

Docket Number	Effective Date	Amount Requested	Amount Granted	Approved Operating Margin
		\$	\$	
92-192-W/S	12/15/92	472,384	360,980	8.50%
90-49-W/S	11/5/90	440,884	440,884	9.57%
85-83-W/S	09/30/85	365,172	-0-	14.82%
84-68-W/S	07/20/84	145,999	145,999	26.59%

7. The Accounting Department's exhibits relative to the Company's proposed increase are as follows:

EXHIBIT A: OPERATING MARGINS

Operating Margin for the test year ended December 31, 1995 is 0.07%. Pro forma and Accounting adjustments for known and measurable changes decrease the margin to (2.48%). After the proposed increase of \$487,724, operating margin increases to 8.57%. (See Utilities Department Report, Exhibit B, for the proposed increase).

Staff has shown the rate base on line fifty-seven of this Exhibit. The only purpose of the rate base is to allocate the company's investment between capital ratios.

EXHIBIT A-1: PRO FORMA AND ACCOUNTING ADJUSTMENTS

Shown in this exhibit are the explanations of each accounting and pro forma adjustment that Staff and the Utility have proposed to normalize the Company's test year. All material differences

between Accounting adjustments and Company's adjustments are explained in Accounting Staff's testimony.

EXHIBIT A-2: CUSTOMER GROWTH

Staff has calculated customer growth as follows:

$$\frac{\text{End of Year Customers less Average Customers}}{\text{Average Customers}}$$

The factor was then applied to net operating income, line 39 of Exhibit A.

EXHIBIT A-3: CASH WORKING CAPITAL

Staff has always computed a cash working capital allowance whenever a rate base is shown. Staff's application of a 12.5% factor implies that there is a lag of forty-five days between cash outlays and collection of revenues, therefore, one-eighth of a year, or 12.5%. Correcting adjustments are also shown in column (2) for adjustments that are not acceptable for the allowances.

KIAVAH ISLAND UTILITY, INC.
OPERATING MARGINS
FOR THE TEST PERIOD ENDING 12-31-95

ACCOUNTING
EXHIBIT A

	(1)	(2)	(3)	(4)	(5)
	PER BOOKS	PRO FORMA		EFFECT OF	AFTER
	AS OF	AND	AFTER	PROPOSED	PROPOSED
	12/31/95	ACCOUNTING	ADJUSTMENTS	INCREASE	INCREASE
	-----	-----	-----	-----	-----
	\$	\$	\$	\$	\$
15 OPERATING REVENUES:					
16 Water Service Revenues	1,854,107	79,812 (1)(D)	1,933,919	358,943 (17)(D)	2,292,862
17 Sewer Service Revenues	778,728	(66,051) (2)(D)	712,677	128,037 (18)(D)	840,714
18 Miscellaneous Revenues	19,367	(8,274) (3)	11,093	744 (19)(D)	11,837
19 Interest Income	41,788	(41,788) (4)	00	00	00
20 Tap Fee Revenues	122,500	(122,500) (5)	00	00	00
	-----	-----	-----	-----	-----
	2,816,490	(158,801)	2,657,689	487,724	3,145,413
	-----	-----	-----	-----	-----
24 OPERATING EXPENSES:					
25 Purchased Water	924,403	(2,288) (6)	922,115	00	922,115
26 Salaries and Benefits	369,176	47,736 (7)	416,912	00	416,912
27 Property Taxes	109,025	00	109,025	00	109,025
28 Management Fees	100,000	(64,000) (8)	36,000	00	36,000
29 Fuel and Electricity	109,189	00	109,189	00	109,189
30 Repairs and Maintenance	112,878	(54,993) (9)	57,885	00	57,885
31 Other Operating Expenses	369,616	(157,914) (10)	211,702	00	211,702
32 Depreciation and Amortization	326,294	53,927 (11)	380,221	00	380,221
33 Taxes - Other than Income	00	00	00	5,365 (20)	5,365
34 Income Taxes	12,000	(12,000) (12)	00	152,628 (21)	152,628
	-----	-----	-----	-----	-----
36 TOTAL OPERATING EXPENSES:	2,432,581	(189,532)	2,243,049	157,993	2,401,042
	-----	-----	-----	-----	-----
38 NET OPERATING INCOME:	383,909	30,731	414,640	329,731	744,371
39 ADD: Customer Growth: (A)	6,757	541	7,298	5,803	13,101
	-----	-----	-----	-----	-----
41 TOTAL INCOME FOR RETURN:	390,666	31,272	421,938	335,534	757,472
	-----	-----	-----	-----	-----
43 OPERATING MARGINS: (B)	.072		-2.482		8.572
	-----	-----	-----	-----	-----
47 Plant in Service	12,183,920	2,403,436 (13)	14,587,356	00	14,587,356
48 Less: Accumulated Depreciation	(2,652,928)	(56,636) (14)	(2,709,564)	00	(2,709,564)
	-----	-----	-----	-----	-----
50 Net Plant in Service	9,530,992	2,346,800	11,877,792	00	11,877,792
51 Add: Construction Work in Progress	551,499	(520,628) (15)	30,871	00	30,871
52 Cash Working Capital (C)	248,158	(34,086)	214,072	00	214,072
53 Materials and Supplies	00	00	00	00	00
54 Less: Contributions in Aid of Constr	00	1,635,420 (16)	1,635,420	00	1,635,420
55 Customer Deposits	00	00	00	00	00
	-----	-----	-----	-----	-----
57 ORIGINAL COST RATE BASE:	10,330,649	156,666	10,487,315	00	10,487,315
	-----	-----	-----	-----	-----

60 Note (A): See Exhibit A-2 for Customer Growth
61 Note (B): Operating Margin includes Interest
62 Expense of \$388,610, per books, and
63 \$487,809 as adjusted

(C): See Exhibit A-3 for Cash Working Capital

(D): See Report of Utilities Department, Exhibit B,
for Adjustments to Revenues and the Proposed Increase

KIAWAH ISLAND UTILITY, INC.
ACCOUNTING AND PROFORMA ADJUSTMENTS
FOR THE TEST PERIOD ENDING DECEMBER 31, 1995

ACCOUNTING
EXHIBIT A-1
PAGE 1 OF 4

ITEM NUMBER	DESCRIPTION OF ADJUSTMENT	(1) WATER SERVICE REVENUES	(2) SEWER SERVICE REVENUES	(3) MISCEL- LANEOUS REVENUES	(4) INTEREST INCOME	(5) TAP FEE REVENUES	(6) PURCHASED WATER	(7) SALARIES AND WAGES	(8) MANAGEMENT FEES
		\$	\$	\$	\$	\$	\$	\$	\$
1	To adjust water service revenues based on Bill Frequency Analysis (See Report of Utilities Department, Exhibit B)								
	Staff:	80,312							
	Company:	00							
2	To adjust sewer service revenues based on Bill Frequency Analysis (See Report of Utilities Department, Exhibit B)								
	Staff:		(66,051)						
	Company:		00						
3	To remove DHEC recoupment fees from pass-through revenues (See Item #10)								
	Staff:			(7,774)					
	Company:			00					
4	To remove 'rent revenues' from Operating Revenues								
	Staff:	(500)		(500)					
	Company:	(500)		(500)					
5	To eliminate interest income from regulated income								
	Staff:				(41,788)				
	Company:				(41,788)				
6	To remove 'Tap Fees' from operating revenues (See Item 26)								
	Staff:					(122,500)			
	Company:					(122,500)			
7	Staff proposes to annualize purchased water based on present cost per thousand at test year quantities								
	Staff:						(2,288)		
	Company:						00		
8	Staff proposes to increase salaries and benefits based on current wage rates at September 1996								
	Staff:							47,736	
	Company:							00	
9	To adjust Management Fees for amount approved in Order Number 92-1030								
	Staff:								(64,000)
	Company:								00
TOTAL STAFF ADJUSTMENTS:		79,812	(66,051)	(8,274)	(41,788)	(122,500)	(2,288)	47,736	(64,000)
ADJUSTMENT NUMBERS TO EXHIBIT A:		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

KIAWAH ISLAND UTILITY, INC.
ACCOUNTING AND PROFORMA ADJUSTMENTS
FOR THE TEST PERIOD ENDING DECEMBER 31, 1995

ACCOUNTING
EXHIBIT A-1
PAGE 2 OF 4

ITEM NUMBER	DESCRIPTION OF ACCOUNT	(1) REPAIRS AND MAINTENANCE	(2) OTHER OPERATING EXPENSES	(3) DEPRECIATION AND AMORTIZATION	(4) INCOME TAXES	(5) PLANT IN SERVICE	(6) ACCUMULATED DEPRECIATION	(7) CONSTR. WORK IN PROGRESS	(8) CONTRIBUTION IN AID OF CONSTRUCTION
		\$	\$	\$	\$	\$	\$	\$	\$
10	To exclude pass-through expenses to D.H.E.C. related to revenues collected for inspections. (See Item 3)								
	Staff:	(7,091)							
	Company:	00							
11	To capitalize cost of tap-ons into plant rather than expense								
	Staff:	(19,226)		961		19,226	(961)		
	Company:	(19,226)		961		19,226	(961)		
12	To amortize painting a Water Tank over a three-year period								
	Staff:	(28,676)							
	Company:	00							
13	To amortize present rate case expenses over three years (through 10/4/96)								
	Staff:		4,224						
	Company:		10,826						
14	To remove contributions as being below the-line for rate making purposes								
	Staff:		(2,594)						
	Company:		(1,875)						
15	To amortize telemetry and 'Eugenia Avenue' consulting and legal fees over a three-year period. The expenses were for a hearing before the SCPSC.								
	Staff:		(13,579)						
	Company:		00						
16	To amortize legal expenses related to telemetering irrigation customers over a three year period								
	Staff:		(4,365)						
	Customers:		00						
17	To capitalize Engineering Expenses related to Fire Protection and Water Model which were originally expensed								
	Staff:		(82,335)	1,935		82,335	(1,935)		
	Company:		(46,790)	00		00	00		
18	To remove income taxes for negative Operating Income								
	Staff:				(12,000)				
	Company:				00				

KIAWAH ISLAND UTILITY, INC.
ACCOUNTING AND PROFORMA ADJUSTMENTS
FOR THE TEST PERIOD ENDING DECEMBER 31, 1995

ACCOUNTING
EXHIBIT A-1
PAGE 3 OF 4

ITEM NUMBER	DESCRIPTION OF ACCOUNT	(1) REPAIRS AND MAINTENANCE	(2) OTHER OPERATING EXPENSES	(3) DEPRECIATION AND AMORTIZATION	(4) INCOME TAXES	(5) PLANT IN SERVICE	(6) ACCUMULATED DEPRECIATION	(7) CONSTR. WORK IN PROGRESS	(8) CONTRI. IN AID OF CONSTRUCTION
		\$	\$	\$	\$	\$	\$	\$	\$
19	Staff proposes to defer all legal expenses incurred against the Utility for fire losses until the settlement is completed Staff: Company:		(26,265) 00						
20	Company proposes to add cost of sludge removal from its holding tank Staff: Company:		00 50,000						
21	Staff proposes to deny rental expense on lease agreement not approved by this Commission Staff: Company:		(33,000) 00						
22	To annualize depreciation expense based on Plant-in-Service at December 31, 1995 Staff: Company:			29,733 00			(29,733) 00		
23	To increase various plant accounts for major additions completed in 1996 Staff: Company:			61,700 00		2,625,517 2,755,303	(61,700) (68,883)	(520,628) (551,499)	
24	To exclude a portion of plant referred to as the 'Ocean Course Extension' to comply with Order #92-1030 Staff: Company:			(7,118) 00		(323,642) 00	37,693 00		
25	To deduct from plant the Availability Fees paid through December 31, 1991. Staff: Company:			(33,284) (33,284)			00 00		1,512,920 1,512,920
26	To treat Tap Fee Revenues as contributions in aid of construction (See Item #6) Staff: Company:								122,500 122,500
TOTAL STAFF ADJUSTMENTS:		(54,993)	(157,914)	53,927	(12,000)	2,403,436	(56,636)	(520,628)	1,635,420
ADJUSTMENT NUMBERS TO EXHIBIT A:		(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)

KIAWAH ISLAND UTILITY, INC.
ACCOUNTING AND PROFORMA ADJUSTMENTS
FOR THE TEST PERIOD ENDING DECEMBER 31, 1995

ACCOUNTING
EXHIBIT A-1
PAGE 4 OF 4

		EFFECT OF PROPOSED INCREASE				
ITEM NUMBER	DESCRIPTION OF ADJUSTMENT	(1) WATER SERVICE REVENUES	(2) SEWER SERVICE REVENUES	(3) MISCEL- LANEOUS REVENUES	(4) TAXES- OTHER	(5) INCOME TAXES
		\$	\$	\$	\$	\$
27	To increase water service revenues for the effect of the proposed increase in rates (See Report of Utilities Department, Exhibit B)					
	Staff:	358,943				
	Company:	353,484				
28	To increase water service revenues for the effect of the proposed increase in rates (See Report of Utilities Department, Exhibit B)					
	Staff:		128,037			
	Company:		130,884			
29	To increase miscellaneous service revenues for the effect of the proposed increase in rates (See Report of Utilities Department, Exhibit B)					
	Staff:			744		
	Company:			00		
30	To increase gross receipts for the effect of the proposed increase above					
	Staff:				5,365	
	Company:				00	
31	To increase Income Taxes for the effect of the proposed increase					
	Staff:					152,628
	Company:					47,265
TOTAL STAFF ADJUSTMENTS:		358,943	128,037	744	5,365	152,628
ADJUSTMENT NUMBERS TO EXHIBIT A:		(17)	(18)	(19)	(20)	(21)

KIAWAH ISLAND UTILITY, INC.
CUSTOMER GROWTH
FOR THE TEST PERIOD ENDING DECEMBER 31, 1995

12 Formula:

End of Year Customers - Average Customers

Average Customers

17 Customer Information:

End of Year Customers:	5,082
Beginning of Year Customers:	4,906

Totals:	9,988
Divide by:	02

Average Customers:	4,994
	=====

27 To Substitute:

5,082	-	4,994	
-----			=
4,994			1.76Z

	(1)	(2)	(3)	(4)	(5)
DESCRIPTION/ ACCOUNT TITLES	PER BOOKS	ADJUSTMENTS	AFTER ADJUSTMENTS	EFFECT OF PROPOSED INCREASE	TOTALS AFTER INCREASE
-----	-----	-----	-----	-----	-----
	\$	\$	\$	\$	\$
43 Net Operating Income:	383,909	30,731	414,640	329,731	744,371
45 Customer Growth Factor:	1.76Z	1.76Z	1.76Z	1.76Z	1.76Z
	-----	-----	-----	-----	-----
48 Customer Growth, Exhibit A:	6,757	541	7,298	5,803	13,101
	=====	=====	=====	=====	=====

KIAWAH ISLAND UTILITY, INC.
CASH WORKING CAPITAL
FOR THE TEST PERIOD ENDING 12-31-95

ACCOUNTING
EXHIBIT A-3

	(1)	(2)	(3)	(4)	(5)
	PER BOOKS AS OF 12/31/95	CORRECTING ADJUSTMENTS	AFTER ADJUSTMENTS	EFFECT OF PROPOSED INCREASE	AFTER PROPOSED INCREASE
	\$	\$	\$	\$	\$
OPERATING EXPENSES:					
Purchased Water	924,403	00 (6)	924,403	00	924,403
Salaries and Benefits	369,176	00 (7)	369,176	00	369,176
Management Fees	100,000	(64,000) (8)	36,000	00	36,000
Fuel and Electricity	109,189	00	109,189	00	109,189
Repairs and Maintenance	112,878	(54,993) (9)	57,885	00	57,885
Other Operating Expenses	369,616	(153,690) (10)	215,926	00	215,926
TOTAL EXPENSES FOR C.W.C.	1,985,262	(272,683)	1,712,579	00	1,712,579
Allowance Factor (45 Days):	12.50%	12.50%	12.50%	12.50%	12.50%
Cash Working Capital,					
To Exhibit A, Line 53:	248,158	(34,086)	214,072	00	214,072

REPORT

OF

UTILITIES DEPARTMENT

SOUTH CAROLINA PUBLIC SERVICE COMMISSION

KIAWAH ISLAND UTILITY, INC.

DOCKET 96-168-W/S

UTILITIES DEPARTMENT REPORT

KIAWAH ISLAND UTILITY, INC.

DOCKET 96-168-W/S

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KIAWAH ISLAND UTILITY, INC.

SCHEDULE OF PRESENT RATES AND CHARGES

The present rates and charges for Kiawah Island Utility, Inc. were approved by the Commission by Order No. 92-1030, dated December 15, 1992, in Docket No. 92-192-W/S.

RATE SCHEDULE NO. 1

RESIDENTIAL SERVICE

AVAILABILITY -- Available within the Company's certificated service area.

APPLICABILITY -- Applicable to any residential customer for any purpose.

CHARACTER OF SERVICE -- Water and sewer service.

CHARGES --

Water Service Charge

<u>Monthly Consumption</u>	<u>Water Rate</u>
A. Minimum Bill 0-3000 Gal/mo.	
5/8" meter	\$ 18.00/mo.
3/4" meter	\$ 30.00/mo.
1" meter	\$ 50.00/mo.
1 1/2" meter	\$100.00/mo.
2" meter	\$160.00/mo.
3" meter	\$350.00/mo.

Minimum Water Service Charge for meters larger than 3" shall be:

Maximum recommended meter capacity (gpm) X \$18.00 per mo.
20 gpm

B. Consumption Charge	
All over 3000 gals./mo.	\$1.80/1000 gals.

Sewer Service Charge

A flat rate of \$22.00/mo.

TAP FEES -- Water tap-in fee	\$500.00
Sewer tap-in fee	\$500.00

The tap-in fee provides for installation of the normal size residential meter of 5/8" by 3/4". Where the customer requests a larger meter, Company will apply the tap-in fee schedule for larger meters as listed in the Commercial Service Schedule No. 2.

RATE SCHEDULE NO. 2

COMMERCIAL SERVICE

AVAILABILITY -- Available within the Company's certificated service area.

APPLICABILITY -- Applicable to any Commercial or Master Metered Residential Customer for any purpose except Hotel or Motel use (see Rate Schedule No. 3).

WATER SERVICE CHARGES

A. Basic Facilities Charge	
5/8" meter	\$ 18.00/mo.
3/4" meter	\$ 30.00/mo.
1" meter	\$ 50.00/mo.
1 1/2" meter	\$100.00/mo.
2" meter	\$160.00/mo.
3" meter	\$350.00/mo.

Basic Facilities Charge for water service with meters larger than 3" shall be:

Maximum recommended meter capacity (gpm) X \$18.00 per mo.
20 gpm

B. Consumption Charge	\$1.80/1000 gal. for all consumption
-----------------------	---

SEWER SERVICE CHARGES

A. Basic Facilities Charge	
5/8" meter	\$ 18.00/mo.
3/4" meter	\$ 27.75/mo.
1" meter	\$ 46.25/mo.
1 1/2" meter	\$ 92.50/mo.
2" meter	\$148.00/mo.
3" meter	\$323.75/mo.

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UTILITIES DEPARTMENT
EXHIBIT A
PAGE 3 OF 13

Basic Facilities Charge for sewer service where water service is through meters larger than 3" in size shall be:

Maximum recommended meter capacity (gpm) X \$18.00 per mo.
20 gpm

B. Consumption Charge

\$1.80/1000 gal.
for all consumption

TAP FEES

<u>Tap-in Fees</u>	<u>Water Tap-in Fee</u>	<u>Sewer Tap-in Fee</u>
5/8" meter	\$ 500.00	\$ 500.00
3/4" meter	\$ 750.00	\$ 750.00
1" meter	\$1,250.00	\$1,250.00
1 1/2" meter	\$2,500.00	\$2,500.00
2" meter	\$4,000.00	\$4,000.00
3" meter	\$8,750.00	\$8,750.00

Water Tap-in Fee and Sewer Tap-in Fee for water and sewer service where the water meter is larger than 3" in size shall be:

Maximum recommended meter capacity (gpm) X \$500.00
20 gpm

RATE SCHEDULE NO. 3

HOTEL AND MOTEL SERVICE

AVAILABILITY -- Available within the Company's certificated service area.

APPLICABILITY -- Applicable to all hotel and motel customers for any purpose.

Water Service Charge

Basic Facilities Charge	\$8.00/mo/room
All consumption	\$1.80/1000 gal.

Sewer Service Charge

Basic Facilities Charge	\$7.50/mo/room
All consumption	\$1.80/1000 gal.

Tap-in-Fees

Water Tap-in Fee	\$220/room
Sewer Tap-in Fee	\$220/room

RATE SCHEDULE NO. 4

IRRIGATION SERVICE

AVAILABILITY -- Available within the Company's certificated service area. The Company reserves the right to limit or reduce the amount of irrigation service available when, in its sole judgment, its water system conditions require such restrictions.

APPLICABILITY -- Applicable only to customers who anticipate substantial potable water use which will not be returned to the company's wastewater treatment system such as irrigation. Such water consumption shall be metered separately from any water use supplied under other rate schedules.

CHARGES --

WATER SERVICE CHARGES

A.	Basic Facilities Charge	
	5/8" meter	\$ 18.00/mo.
	3/4" meter	\$ 30.00/mo.
	1" meter	\$ 50.00/mo.
	1 1/2" meter	\$100.00/mo.
	2" meter	\$160.00/mo.
	3" meter	\$350.00/mo.

Basic Facilities Charge for water service with meters larger than 3" shall be:

Maximum recommended meter capacity (gpm) X \$18.00 per mo.
20 gpm

B.	Consumption Charge	\$2.05/1000 gal. for all consumption
----	--------------------	---

TAP FEES

5/8"	meter	\$ 500.00
3/4"	meter	\$ 750.00
1"	meter	\$1,250.00
1 1/2"	meter	\$2,500.00
2"	meter	\$4,000.00
3"	meter	\$8,750.00

Water Tap-in Fee where the water meter is larger than 3" in size shall be:

Maximum recommended meter capacity (gpm) X \$500.00
20 gpm

RATE SCHEDULE NO. 5

FIRE HYDRANT SERVICE

AVAILABILITY -- Available within the Company's certificated service area.

APPLICABILITY -- Applicable to fire hydrants connected to the water mains of the Company.

CHARGES -- \$75.00 per hydrant per year payable semiannually in advance for fire fighting service. When temporary water service from a hydrant is requested by a contractor or others a meter will be installed and the charge will be:

\$8.00 for each day of use PLUS \$2.05/1000 gals. for ALL water used.

RATE SCHEDULE NO. 6

GOLF COURSE IRRIGATION

AVAILABILITY -- Available within the Company's certificated service area.

APPLICABILITY -- Applicable for golf course irrigation where the customer agrees to take as a minimum quantity the treated effluent from the wastewater treatment plant.

CHARGES --

- A. Water, the source of which is the effluent from the sewerage collection system and which has been processed through the wastewater treatment plant, will be billed at the rate of:

Basic Facilities Charge	\$164.00/mo.
Consumption	\$.35/1000 gal.

- B. The deep well water will be billed at the rate of:

Basic Facilities Charge	\$164.00/mo.
Consumption	\$.95/1000 gal.

- C. Potable water will be billed at the rate of:

Basic Facilities Charge	\$164.00/mo.
Consumption	\$ 2.05/1000 gal.

KIAWAH ISLAND UTILITY, INC.

SCHEDULE OF PROPOSED RATES AND CHARGES

RATE SCHEDULE NO. 1

RESIDENTIAL SERVICE

AVAILABILITY -- Available within the Company's certificated service area.

APPLICABILITY -- Applicable to any residential customer for any purpose.

CHARACTER OF SERVICE -- Water and sewer service.

CHARGES --

Water Service Charge

<u>Monthly Consumption</u>	<u>Water Rate</u>
A. Minimum Bill 0-2000 gal/mo.	
5/8" meter	\$ 21.00/mo.
3/4" meter	\$ 35.00/mo.
1" meter	\$ 59.00/mo.
1 1/2" meter	\$117.00/mo.
2" meter	\$187.00/mo.
3" meter	\$409.00/mo.

Minimum Water Service Charge for meters larger than 3" shall be:

Maximum recommended meter capacity (gpm) X \$21.00 per mo.
20 gpm

B. Consumption Charge	
All over 2,000 gals./mo.	\$2.10/1000 gals.

Sewer Service Charge

A flat rate of \$26.00/mo.

TAP FEES -- Water tap-in fee	\$600.00
Sewer tap-in fee	\$600.00

The tap-in fee provides for installation of the normal size residential meter of 5/8" by 3/4". Where the customer requests a larger meter, Company will apply the tap-in fee schedule for larger meters as listed in the Commercial Service Schedule No. 2.

RATE SCHEDULE NO. 2

COMMERCIAL SERVICE

AVAILABILITY -- Available within the Company's certificated service area.

APPLICABILITY -- Applicable to any Commercial or Master Metered Residential Customer for any purpose except Hotel or Motel use (see Rate Schedule No. 3).

WATER SERVICE CHARGES

A.	Basic Facility Charge	
	5/8" meter	\$ 21.00/mo.
	3/4" meter	\$ 35.00/mo.
	1" meter	\$ 59.00/mo.
	1 1/2" meter	\$117.00/mo.
	2" meter	\$187.00/mo.
	3" meter	\$409.00/mo.

Basic Facility Charge for water service with meters larger than 3" shall be:

Maximum recommended meter capacity (gpm) X \$21.00 per mo.
20 gpm

B.	Consumption Charge	\$2.10/1000 gal. for all consumption
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SEWER SERVICE CHARGES

A.	Basic Facility Charge	
	5/8" meter	\$ 21.00/mo.
	3/4" meter	\$ 32.50/mo.
	1" meter	\$ 54.00/mo.
	1 1/2" meter	\$108.00/mo.
	2" meter	\$173.00/mo.
	3" meter	\$378.00/mo.

Basic Facility Charge for sewer service where water service is through meters larger than 3" in size shall be:

Maximum recommended meter capacity (gpm) X \$21.00 per mo.
20 gpm

B.	Consumption Charge	\$2.10/1000 gal. for all consumption
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TAP FEES

Tap-in Fees		Water Tap-in Fee	Sewer Tap-in Fee
5/8"	meter	\$ 600.00	\$ 600.00
3/4"	meter	\$ 900.00	\$ 900.00
1"	meter	\$ 1,500.00	\$ 1,500.00
1 1/2"	meter	\$ 3,000.00	\$ 3,000.00
2"	meter	\$ 4,800.00	\$ 4,800.00
3"	meter	\$10,500.00	\$10,500.00

Water Tap-in Fee and Sewer Tap-in Fee for water and sewer service where the water meter is larger than 3" in size shall be:

$$\frac{\text{Maximum recommended meter capacity (gpm)} \times \$600.00}{20 \text{ gpm}}$$

RATE SCHEDULE NO. 3

HOTEL AND MOTEL SERVICE

AVAILABILITY -- Available within the Company's certificated service area.

APPLICABILITY -- Applicable to all hotel and motel customers for any purpose.

CHARGES --

Water Service Charge

Basic Facilities Charge	\$9.50/mo/room
All consumption	\$2.10/1000 gal.

Sewer Service Charge

Basic Facilities Charge	\$8.75/mo/room
All consumption	\$2.10/1000 gal.

Tap-in-Fees

Water Tap-in Fee	\$300/room
Sewer Tap-in Fee	\$300/room

RATE SCHEDULE NO. 4

IRRIGATION SERVICE

AVAILABILITY -- Available within the Company's certificated service area. The Company reserves the right to limit or reduce the amount of irrigation service available when, in its sole judgment, its water system conditions require such restrictions.

APPLICABILITY -- Applicable only to customers who anticipate substantial potable water use which will not be returned to the company's wastewater treatment system such as irrigation. Such water consumption shall be metered separately from any water use supplied under other rate schedules.

CHARGES --

WATER SERVICE CHARGES

A.	Basic Facility Charge	
	5/8" meter	\$ 21.00/mo.
	3/4" meter	\$ 35.00/mo.
	1" meter	\$ 59.00/mo.
	1 1/2" meter	\$117.00/mo.
	2" meter	\$187.00/mo.
	3" meter	\$409.00/mo.

Basic Facility Charge for water service with meters larger than 3" shall be:

Maximum recommended meter capacity (gpm) X \$21.00 per mo.
20 gpm

B.	Consumption Charge	\$2.40/1000 gal. for all consumption
----	--------------------	---

TAP FEES

5/8"	meter	\$ 600.00
3/4"	meter	\$ 900.00
1"	meter	\$ 1,500.00
1 1/2"	meter	\$ 3,000.00
2"	meter	\$ 4,800.00
3"	meter	\$10,500.00

Water Tap-in Fee where the water meter is larger than 3" in size shall be:

Maximum recommended meter capacity (gpm) X \$600.00
20 gpm

RATE SCHEDULE NO. 5

FIRE HYDRANT SERVICE

AVAILABILITY -- Available within the Company's certificated service area.

APPLICABILITY -- Applicable to fire hydrants connected to the water mains of the Company.

CHARGES -- \$75.00 per hydrant per year payable semiannually in advance for fire fighting service. When temporary water service from a hydrant is requested by a contractor or others a meter will be installed and the charge will be:

\$10.00 for each day of use PLUS \$2.40/1000 gals. for ALL water used. A refundable deposit of \$100.00 per hydrant meter is required at the time of rental.

RATE SCHEDULE NO. 6

GOLF COURSE IRRIGATION

AVAILABILITY -- Available within the Company's certificated service area.

APPLICABILITY -- Applicable for golf course irrigation where the customer agrees to take as a minimum quantity the treated effluent from the wastewater treatment plant.

CHARGES --

- A. Water, the source of which is the effluent from the sewerage collection system and which has been processed through the wastewater treatment plant, will be billed at the rate of:

Basic Facilities Charge	-	\$192.00/mo.
Consumption	-	\$.40/1000 gal.

- B. The deep well water will be billed at the rate of:

Basic Facility Charge	-	\$192.00/mo.
Consumption	-	\$ 1.10/1000 gal.

- C. Potable water will be billed at the rate of:

Basic Facility Charge	-	\$192.00/mo.
Consumption	-	\$ 2.40/1000 gal.

CHARGES FOR SERVICE DISCONTINUANCE, RECONNECTION
AND OTHER MISCELLANEOUS SERVICE CHARGES

CHARGES --

1. When a customer requests temporary discontinuance of service for the apparent purpose of eliminating the minimum bill, during such cut-off period the Company may make a charge equivalent to a three months minimum bill for both water and sewer service and require payment of such charge before service is restored.
2. Temporary discontinuance of service for such purposes as maintenance or construction will be made and the Company may charge the customer the actual cost plus 25%.
3. Whenever service is disconnected for violation of rules and regulations, nonpayment of bills or fraudulent use of service, the Company may make a charge of \$25.00 for water and \$100.00 for sewer before service is restored.
4. Whenever service has been disconnected for reasons other than set forth in (3) above, and the Company is required to reconnect service to a unit that has had the service disconnected, the Company shall have the right to charge a \$25.00 reconnection fee for restoration of service after 4:30 p.m. Monday through Friday or Saturday and Sunday.
5. Delinquent Notification Fee - \$5.00. A fee of \$5.00 shall be charged each customer to whom the Company mails a Notice of Discontinuance of Service as required by the Commission Rules prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating that cost.
6. Customer Account Charge - \$25.00. One-time fee charged to each new account to defray costs of initiating service: \$25.00.
7. Special Billing Adjustments:

A. St. John's Water Company

The Company purchases its potable water from the St. John's Water Company (St. John's), which in turn purchases the water from the Commissioners of Public Works of the City of Charleston (CPW). Whenever the CPW increases the price of water sold to St. John's, the increases in price are passed through to the Company pursuant to the Company's contract with St. John's. Accordingly, whenever there is a price adjustment to the Company by St. John's, the following billing adjustments shall be made by the Company to the customer's rates:

1. In the event that St. John's adjusts the unit price delivered to the Company for potable water, the following billing adjustment practice will apply:
 - (a) If the delivered unit price is decreased, the Company shall decrease the unit price of potable water sales to all customer classes by the amount of that decreased cost.
 - (b) If the delivered unit price is increased, the Company may increase the unit price of potable water sales to all customer classes by the amount of that increased cost.

B. Regulatory Agency Charges

In the event that a governmental entity or regulatory agency (such as South Carolina Department of Health & Environmental Control) is empowered to bill the Company an assessment based on customer units served by the Company, the Company may bill its customers for the applicable unit cost of that assessment. The assessment charge shall be identified as a separate billed item and included in the total of the service billing.

C. Notification

Any special billing adjustment shall not be billed until the following conditions are met:

1. The Company shall furnish the South Carolina Public Service Commission satisfactory proof of the basis for the adjustment and the billing method to be utilized at least sixty (60) days prior to its proposed effective date.
2. The Company shall furnish thirty (30) days prior written notice to the customers affected by the Special Billing Adjustment advising them of the basis for the adjustment and its effective date.

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 EXHIBIT B
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KIAWAH ISLAND UTILITY, INC.

EFFECT OF PROPOSED RATES ON
 OPERATING REVENUE

WATER REVENUE:

SOURCE	PRESENT REVENUE	PROPOSED REVENUE	AMOUNT OF INCREASE	PERCENT OF INCREASE
RESIDENTIAL	\$ 957,937	\$1,156,774	\$ 198,837	20.76%
COMMERCIAL	\$ 103,601	\$ 120,994	\$ 17,393	16.79%
HOTELS	\$ 30,164	\$ 35,492	\$ 5,328	17.66%
IRRIGATION	\$ 396,815	\$ 464,478	\$ 67,663	17.05%
FIRE HYDRANT	\$ 23,348	\$ 23,494	\$ 146	.63%
GOLF IRRIGATION	\$ 422,054	\$ 491,630	\$ 69,577	16.49%
TOTAL SERVICE	\$1,933,919	\$2,292,862	\$ 358,943	18.56%
MISCELLANEOUS	\$ 5,546	\$ 5,918	\$ 372	6.71%
TOTAL	\$1,939,465	\$2,298,780	\$ 359,315	18.53%

SEWER REVENUE:

SOURCE	PRESENT REVENUE	PROPOSED REVENUE	AMOUNT OF INCREASE	PERCENT OF INCREASE
RESIDENTIAL	\$ 608,828	\$ 719,524	\$ 110,696	18.18%
COMMERCIAL	\$ 74,585	\$ 87,048	\$ 12,463	16.71%
HOTEL	\$ 29,264	\$ 34,142	\$ 4,878	16.67%
TOTAL SERVICE	\$ 712,677	\$ 840,714	\$ 128,037	17.97%
MISCELLANEOUS	\$ 5,546	\$ 5,918	\$ 372	6.71%
TOTAL	\$ 718,223	\$ 846,632	\$ 128,409	17.88%

COMBINED REVENUE:

	PRESENT REVENUE	PROPOSED REVENUE	AMOUNT OF INCREASE	PERCENT OF INCREASE
WATER	\$1,939,465	\$2,298,780	\$ 359,315	18.53%
SEWER	\$ 718,223	\$ 846,632	\$ 128,409	17.88%
TOTAL	\$2,657,688	\$3,145,412	\$ 487,724	18.35%

Water and Wastewater Exhibit No. 2 shows the effect of the proposed rates and charges on revenue. The requested rates and charges will produce \$ 359,315 or 18.53% in additional water revenue and \$ 128,409 or 17.88% in additional sewer revenue. Combined, the requested rates will produce \$ 487,724 or 18.35% in additional revenue.

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KIAWAH ISLAND UTILITY, INC.

EFFECT OF PROPOSED RATES AND CHARGES ON RESIDENTIAL
CUSTOMERS AVERAGE MONTHLY BILL

	AVERAGE CONSUMPTION	PRESENT BILL	PROPOSED BILL	AMOUNT OF INCREASE	PERCENT OF INCREASE
Water	10,488 gals.	\$31.48	\$38.82	\$ 7.34	23.32%
Sewer	Flat Rate	\$22.00	\$26.00	\$ 4.00	18.18%
Combined		\$53.48	\$64.82	\$11.34	21.20%

KIAWAH ISLAND UTILITY, INC.

BUSINESS OFFICE COMPLIANCE REVIEW REPORT

UTILITY: KIAWAH ISLAND UTILITY, INC. INSPECTOR: CREECH/BURGESS

OFFICE: KIAWAH ISLAND DATE: OCTOBER 10, 1996

COMPANY REPRESENTATIVE: BECKY DENNIS

IN COMPLIANCE
YES OR NO*

- YES 1. Are all records and reports available for examination in accordance with Rule R.103-710 and R.103-510?
- YES 2. Are complaint records maintained in accordance with Rule R.103-716 and R.103-516?
- YES 3. Are the utility's rates, its rules and regulations, and its up-to-date maps and plans available for public inspection in accordance with Rule R.103-730 and R.103-530?
- YES 4. Are procedures established to assure that every customer making a complaint is made aware that the utility is under the jurisdiction of the South Carolina Public Service Commission and that the customer has the right to register the complaint in accordance with Rule R.103-730 and R.103-530?
- N/A 5. Are deposits charged within the limits established by Rule R.103-731 and R.103-531?
- YES 6. Are timely and accurate bills being rendered to customers in accordance with Rule R.103-733 and R.103-532?
- YES 7. Are bill forms in accordance with Rule R.103-732 and R.103-532?
- YES 8. Are adjustments of bills handled in accordance with Rule R.103-733 and R.103-533?

KIAWAH ISLAND UTILITY, INC.

BUSINESS OFFICE COMPLIANCE REVIEW REPORT

- YES 9. Is the policy for customer denial or discontinuance of service in accordance with Rule R.103-735 and R.103-535?
- YES 10. Are notices sent to customers prior to termination in accordance with Rule R.103-735 and R.103-535?
- YES 11. Are notices posted in a conspicuous place informing the public that copies of rate schedules and rules relating to service are available for inspection in accordance with Rule R.103-730 and R.103-530?
- YES 12. Does the utility have adequate means (Telephone, etc.) whereby each customer can contact the water and/or wastewater utility at all hours in cases of emergency or unscheduled interruptions or service in accordance with Rule R.103-730 and R.103-530?
- YES 13. Are records kept of any condition resulting in any interruption of service affecting its entire system or major division, including a statement of time, duration, and cause of such an interruption in accordance with Rule R.103-714 and R.103-514?
- YES 14. Has the utility advised the Commission, in accordance with Rule R.103-712 and R.103-512 of the name, title, address and telephone number of the person who should be contacted in connection with:
- (a) General management duties?
 - (b) Customer relations (complaints)?
 - (c) Engineering operations?
 - (d) Meter tests and repairs?
 - (e) Emergencies during non-office hours?

*A "NO" RESPONSE REQUIRES A NOTE IN THE COMMENT SECTION

COMMENTS:

COMPANY DOES NOT CHARGE DEPOSITS

KIAWAH ISLAND UTILITY, INC.

REVIEW OF SERVICE PROVIDED BY THE COMPANY

On October 16, 17 and 18 personnel from the South Carolina Public Service Commission conducted an inspection of the sewer and water systems operated by Kiawah Island Utility Inc. which provides sewer service to residential, commercial and hotel customers. The Company also provides water service to residential, commercial, hotel, irrigation, fire hydrant and golf course customers on Kiawah Island.

The Company provides acceptable service to its customers. Staff has received no service complaints during the test year.

The following pages are a summary of Staff's inspection of the facilities owned and operated by Kiawah Island Utility, Inc.

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KIAWAH ISLAND UTILITY, INC.

SEWERAGE
SYSTEM INSPECTION

UTILITY KIAWAH ISLAND UTILITY, INC. NO. OF CUSTOMERS 2,386
SYSTEM KIAWAH ISLAND DATE INSPECTED OCTOBER 10, 1996
INSPECTED BY CREECH/ BURGESS COMPANY REPRESENTATIVE BECKY DENNIS
TYPE OF PLANT MECHANICAL _____ LAGOON X
EXTENT OF TREATMENT PRIMARY _____ SECONDARY X TERTIARY _____
CHLORINATOR YES X OTHER CHEMICALS IN USE NO X
AERATORS YES 7 NO _____
PLANT FENCED & LOCKED YES X NO _____
WARNING SIGNS VISIBLE YES X NO _____
HOLES IN FENCE YES _____ NO X
EROSION OF DIKES YES _____ NO X
ODOR YES _____ NO X
GRASS CUT YES X NO _____
DUCK WEED OR ALGAE YES _____ NO X
GREASE BUILD-UP YES _____ NO X
DEBRIS INSIDE PLANT YES _____ NO X
COLOR OF EFFLUENT _____ CLEAR _____
LIFT STATIONS YES X NO _____ NUMBER 37
FAILURE WARNING SYSTEM YES X NO _____
ELECTRIC WIRING ACCEPTABLE _____ X FAULTY _____
OVERFLOWS YES _____ NO X
CONDITION OF ACCESS ROAD GOOD X BAD _____
NEW CONSTRUCTION YES X NO _____
HOUSES YES X NO _____
UTILITY YES X NO _____
FREQUENCY CHECKED BY OPERATOR DAILY
LOCATION OF UTILITY OFFICE & SYSTEM KIAWAH ISLAND
OTHER COMMENTS EFFLUENT IS PRESENTLY BEING SOLD TO GOLF COURSES
FOR \$.35 PER 1,000 GALLONS.

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KIAWAH ISLAND UTILITY, INC.

WATER
SYSTEM INSPECTION

UTILITY KIAWAH ISLAND UTILITY, INC. NUMBER OF CUSTOMERS 2,696
SYSTEM KIAWAH ISLAND DATE INSPECTED OCTOBER 10, 1996
INSPECTED BY CREECH/BURGESS COMPANY REPRESENTATIVE: BECKY DENNIS
TOTAL NUMBER OF WELL SITES 2, WELL IS USED FOR IRRIGATION ONLY
NUMBER OF WELLS NOT IN OPERATION 0
REASON FOR WELLS LIMITED USE LOW PRODUCTION AND QUALITY OF WATER
ELECTRIC WIRING ACCEPTABLE X
EXPOSED PIPING YES NO X
CHLORINATOR YES X NO
OTHER CHEMICALS YES NO X
IN USE YES X NO
STORAGE PRESSURE TANK NON-PRESSURE TANK
GROUND LEVEL X OVERHEAD
SIZE IN GALLONS 2-1,000,000 plus 1- 2,500,000
P.S.I. AT TANK 80
METERS YES X NO FIRE HYDRANTS YES X NO
AIR IN LINES YES NO X
SAND IN WATER YES NO X
CLARITY OF WATER CLEAR
ODOR NO
LEAKS YES NO X
NEW CONSTRUCTION YES X NO
HOUSES YES X NO
UTILITY YES NO X
FREQUENCY CHECKED BY OPERATOR DAILY
LOCATION OF UTILITY OFFICE AND SYSTEM KIAWAH ISLAND
IS SYSTEM PROVIDED SEWER BY THIS UTILITY? YES X NO
OTHER COMMENTS ALL POTABLE WATER IS PURCHASED FROM ST. JOHNS
WATER COMPANY